

Annual Report of the State Treasurer

Fiscal Year 2001-2002



Jennifer M. Granholm, Governor
State of Michigan

Jay B. Rising, State Treasurer
Michigan Department of Treasury

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*Note: Dollar figures in financial tables represent thousands of dollars unless indicated otherwise.
Figures may not add to totals because of rounding.*



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JENNIFER M. GRANHOLM
GOVERNOR

JAY B. RISING
STATE TREASURER

July 2003

The Honorable Jennifer Granholm
Members of the Michigan Legislature
People of the State of Michigan

Fiscal Year 2002 was both rewarding and challenging for the State of Michigan. While the State reaped the benefits of its first AAA credit rating in a quarter century, it struggled economically. As state government tightened its belt, in hopes an economic rebound was around the corner, Wall Street was rocked by corporate scandals that shook investor and consumer confidence and delayed the recovery. Despite the ups and downs, Fiscal Year 2002 was highlighted by technological initiatives, forward thinking employees, and accountability.

The Department of Treasury plays a key role in state government, operating as the State's bank and having relationships with every other state department. Among Treasury's many responsibilities, none is more critical than the processing of millions of individual and business tax returns. In 2002, less than half of the State's five million individual taxpayers filed their returns "the old fashioned way"— in paper form. Tax processing technologies have saved the State millions and benefited taxpayers. Thousands of individual and business taxpayers have also utilized Treasury's Customer Call Center. The state-of-the-art computer and telephone system allows for personal and web-based interaction as well as self-service options for both individual and business taxpayers.

Michigan citizens, employees, and companies that do business with the State have also benefited from the expanded use of Electronic Fund Transfer (EFT). This method of making paperless payments, to and from the State, has produced significant savings of both time and money.

In June of 2002, the Department of Treasury launched a Strategic Planning initiative utilizing the Balanced Scorecard approach. A Balanced Scorecard is a set of critical measures that enables staff to assess the Department's progress toward accomplishing its strategic plan. The development process included employees from all levels. The Balanced Scorecard also provides administrators with a clearer vision of how to plan and implement future initiatives.

Thanks to these and many other innovations, the leadership of Governor Jennifer Granholm, hard work and dedication from Treasury employees, and the support of the State Legislature, I believe we can make Fiscal Year 2003 one to remember.

Sincerely,

Jay B. Rising
State Treasurer

Introduction

The Michigan Constitution provides for the office of the State Treasurer in Article 5, Section 3. The Governor appoints the State Treasurer with the advice and consent of the State Senate. Governor Jennifer Granholm appointed Jay B. Rising as Michigan's 42nd State Treasurer effective January 6, 2003.

Under the State Treasurer's direction, the Michigan Department of Treasury collects, invests, and disburses all State monies. The Department also administers major tax laws, property tax laws, and safeguards the credit of the State and its local units of government. Treasury also invests retirement funds of Michigan's state employees, public school employees, state police and judges. In addition, Treasury distributes revenue sharing monies to local units of government, audits municipal finance records, and reunites abandoned property with its rightful owner.

The Michigan Department of Treasury provides support services to many programs and authorities including the Investment Advisory Committee, Michigan Education Trust, Michigan Education Savings Program, Michigan Higher Education Assistance Authority, Michigan Higher Education Facilities Authority, Michigan Higher Education

Student Loan Authority, Michigan Merit Award, Michigan Municipal Bond Authority, Michigan Public Educational Facilities Authority, Michigan State Hospital Finance Authority, State Assessors Board and State Tax Commission.

Administration

The Department of Treasury is organized into an executive office and four areas of responsibility. During fiscal year 2002, the Department's operating expenditures were \$191.6 million. After the early retirement program offered in FY 2002, the Department of Treasury had 1,260 employees.

The main Treasury Department office is located in downtown Lansing with its Operations Center in nearby Dimondale. Field offices are located throughout Michigan, many of which offer taxpayers access to information and forms. These offices also house Treasury auditors and collectors assigned to Michigan's 83 counties. The Department of Treasury also maintains offices in California, Illinois, New Jersey, New York, Ohio and Texas for proximity to multi-state taxpayers doing business in Michigan.

Commissions, Boards and Authorities

Commissions, boards and authorities within Treasury:

Investment Advisory Committee
Local Emergency Financial Assistance Loan Board
Michigan Broadband Development Authority
Michigan Debt Advisory Board
Michigan Education Trust
Michigan Higher Education Assistance Authority
Michigan Higher Education Facilities Authority/Commission
Michigan Higher Education Student Loan Authority
Michigan Merit Award
Michigan Municipal Bond Authority
Michigan Public Educational Facilities Authority
Michigan School District Accountability Board
Michigan State Hospital Finance Authority
Michigan Underground Storage Tank Financial Assurance Authority
State Assessors Board
State Tax Commission

The State Treasurer serves as investment fiduciary of the following:

Judges' Retirement Fund
Public School Employees' Retirement Fund
State Employees' Retirement Fund
State Police Retirement Fund

The State Treasurer serves as treasurer of the following:

Mackinac Bridge Authority
Michigan Judges Retirement System

Michigan Legislative Retirement System
Michigan Public School Employees Retirement System
Michigan State Employees Retirement System
Michigan State Police Retirement System

The State Treasurer sits as a board member of the following:

Michigan Debt Advisory Board, Chair
Michigan Education Trust, Chair
Michigan Higher Education Assistance Authority, Chair
Michigan Higher Education Student Loan Authority, Chair
Michigan Merit Award Board, Chair
Michigan Municipal Bond Authority, Chair
Michigan School District Accountability Board, Chair
Local Emergency Financial Assistance Loan Board
Michigan Broadband Development Authority Board
Michigan Capitol Park Commission
Michigan Economic Development Corporation Corporate Board
Michigan Economic Growth Authority
Michigan Forest Finance Authority
Michigan Public Educational Facilities Authority
Michigan State Hospital Finance Authority
Michigan State Housing Development Authority
Michigan Strategic Fund
Michigan Underground Storage Tank Financial Assurance Authority/Advisory Board
Michigan Judges, State Employees and State Police Retirement Boards
State Administrative Board

Fiscal Year 2002: The Year in Review

Credit Ratings Hold Strong at AAA

Michigan continues to get “Straight A’s” from Wall Street Rating agencies. Standard & Poor’s and Moody’s upgraded the State’s credit rating to AAA, the highest rating possible, in the fall of 2000. Despite the economic slowdown in 2001, and a slower-than-expected recovery, Michigan has maintained those high marks which reflect the underlying strength of the State’s economy and the availability of financial reserves to meet budget demands. Before being upgraded to AAA, Michigan had not received such a rating from S&P since 1976, and had never before received a AAA rating from Moody’s. Michigan is currently the largest state to hold a AAA bond rating and the only manufacturing state to carry that distinction. The ten AAA rated states are Delaware, Georgia, Maryland, Michigan, Minnesota, Missouri, North Carolina, South Carolina, Utah, and Virginia.

Michigan’s Low Debt Burden

One of the many reasons behind Michigan’s AAA rating is the State’s low debt burden. Michigan issues long-term debt to build highways, clean the environment, and construct new buildings on college and university campuses, prisons and other State facilities. Michigan’s debt as a percent of personal income was 1.43 percent in 2002, third lowest among the ten states rated AAA by Moody’s and second lowest among the ten largest states. Michigan’s debt as a percent of personal income is also well below the 2.3 percent median debt level for all fifty states. Michigan’s debt per person is currently \$429, well below the U.S. median value. This is the third lowest among the ten AAA states and second lowest among the ten largest states.

The Customer is “Priority One”

Customer Call Center/Self-Service

Since early 2002, Michigan taxpayers have had access to a state-of-the-art *Customer Call Center*. With a toll-free telephone call, taxpayers can get assistance from a customer service representative regarding questions about their tax records, current state law, or Treasury rules and regulations. The call center, which was integrated with the Department’s existing tax database, gives customer service representatives access to a taxpayer’s records so they can easily and effectively assist the caller. The database also allows program administrators to gather and analyze information, including the most frequently asked questions and tax issues that may need attention. Taxpayers can also help themselves via a *Self-Service* option on the Treasury Web site at www.michigan.gov/iit.

Through these pages, available to both individuals and businesses, taxpayers have a number of options at their fingertips, including checking to see if a refund has been issued, requesting copies of previously filed returns, ordering copies of current and prior year tax forms, and checking estimated payments.

e-Filing

Reducing tax processing time continues to be a major priority for the Michigan Department of Treasury. A significant part of the effort centers around electronic filing of Individual Income Tax returns. In 2002, more than 1.3 million taxpayers took advantage of the ease of e-filing and the faster refunds that result, making Michigan one of the top e-filing states. For tax year 2002, the State of Michigan has teamed with a number of software companies and online vendors to offer free e-filing for selected Michigan taxpayers.

2-D Barcoding

The use of two-dimensional (2-D) barcodes, generated by home computer Income Tax programs, continues to grow. 2-D barcodes are placed on a taxpayer’s return when printed, and contain pertinent tax information. 2-D scanning is 100 percent accurate and eliminates data entry errors, which delay return processing. It takes only 14 days for the Department of Treasury to process 2-D barcoded returns. Like e-filing, this reduces processing costs and gets refunds to taxpayers much faster. In 2002, more than 1.3 million Michigan taxpayers filed 2-D barcoded returns. As the popularity of tax software continues to grow, so too will the number of taxpayers who file 2-D barcoded tax returns.

TeleFile

More than 160,000 Michigan taxpayers utilized TeleFile, a system of submitting their 2001 tax returns by telephone. For tax year 2002, the Department of Treasury has expanded the number of taxpayers eligible for TeleFile, including some with up to five exemptions. Taxpayers can also TeleFile Home Heating Credits. This will reduce errors and improve Treasury’s ability to administer the credits.

Internet Filing of SBT C-8030

The *Single Business Tax Notice of No Return Required* (Form C-8030) can be filed with the Michigan Department of Treasury via the Internet, 24 hours a day—7 days a week. Businesses with gross annual receipts of less than \$250,000 can file this form, alerting the Treasury Department that no SBT Tax Return is needed. Filing the C-8030 online will save businesses and the State time and money.

Outreach

The Department of Treasury continues to support and assist taxpayers around the State of Michigan by offering between eight and ten new business seminars annually, conducted jointly with the Internal Revenue Service; providing tax instruction for both business and income taxes at 35 tax schools across the State sponsored by Michigan State University and the University of Michigan; providing income tax preparation instructions to at least 36 volunteer groups and tax preparation videos to more than 200 libraries; conducting income tax training for legislative staff members; and speaking before more than thirty meetings of professional preparers and attorneys.

Electronic Fund Transfer

Businesses and vendors receiving payments from the State of Michigan may elect Electronic Fund Transfer (EFT). This has rapidly become the preferred method of sending and receiving payments. EFT transactions benefit both the payee and the State of Michigan by delivering timely payments and eliminating delays in depositing and/or personal visits to financial institutions, making payments immediately available as usable funds, decreasing fraud and staff commitment to processing redeemed warrants and undeliverable payments, and reducing payment delivery costs.

The Department of Treasury also made more than three million EFTs to taxpayers, state employees and state retirees in Fiscal Year 2002. These transactions also provide significant cost savings to the State.

Investing in Michigan's Future

During Fiscal Year 2002, the nation experienced a slow economic recovery and reduced consumer spending, with corporate earnings slowly recovering. Uncertainty caused by the terrorist attacks of September 11, 2001 and the instances of fraud and accounting irregularities on Wall Street continue to negatively impact the markets. As a result, the value (\$39.4 billion) of the State of Michigan Retirement System (SMRS) fell 13.8 percent in FY 2002. During the same period, the S&P 500 index fell more than 20 percent. For a five-year period ending September 30, 2002, the well-diversified SMRS returned 2.7 percent, in the top half of pensions systems. Over a ten-year period, the fund returned better than 8 percent. At present, the system is 93.3 percent funded, with investments made on behalf of 572,000 active or retired state employees.

A's for Education

Michigan Education Trust

The Michigan Education Trust (MET) program, Michigan's 529 pre-paid tuition program, is continuing to provide an opportunity for Michigan families to lock

in today's tuition for tomorrow's college education. In recent years, MET has experienced significant contract enrollment increases. As of December 31, 2002, approximately 67,256 contracts have been purchased with more than 17,000 having been paid in full. The market value of MET assets is \$934 million with a \$70.7 million surplus. Purchasers are eligible for a state tax deduction of the total contract price and earnings are exempt from federal and state taxes if used to pay for qualified higher education expenses. The federal tax exemption on earnings is scheduled to sunset in 2010, unless Congress extends the sunset or abolishes the provision.

Michigan Education Savings Program

The Michigan Education Savings Program (MESP) encourages Michigan families to save for post-secondary education. To date, more than 84,500 accounts have been established in the 529 savings program. MESP's assets now stand at more than \$336.7 million. While other states have similar plans, Michigan's program is unique by offering a state match for certain beneficiaries. To date, 10,036 match applications have been approved and the State has provided nearly \$1.8 million in matching funds. There are no federal or state income taxes on earnings used to pay for qualified higher education expenses and account owners can receive an annual state income tax deduction of up to \$5,000 or \$10,000 for joint filers. The maximum contribution limit is \$235,000, which includes any amount saved in the MET program. The federal tax exemption on earnings is scheduled to sunset in 2010, unless Congress extends the sunset or abolishes the provision.

Accountability at Treasury

In June of 2002, Treasury launched a Strategic Planning initiative utilizing the Balanced Scorecard approach. A Balanced Scorecard is a set of critical measures that enables administrators to assess progress toward accomplishing the strategic plan. One prime objective was to involve staff from every level within the Department. The process of developing both a plan and a scorecard included management interviews, operational assessments, focus groups and a comprehensive evaluation of previous efforts. Treasury executives then developed objectives for the Department, centering on four main operational perspectives: Customer, Financial, Process and Learning and Growth. Subsequently, another group developed measures that will enable Treasury to assess progress toward accomplishing its strategic plan.

The Strategic Plan and Balanced Scorecard will allow Treasury administrators to more effectively set and promote departmental goals, gain a more focused and common commitment to them and perhaps most importantly, provide a method to assess our progress toward those goals.

Another Record Year for Unclaimed Property

Thanks to increased public awareness resulting from direct mailings, Web sites, and an annual statewide newspaper publication, Treasury's Unclaimed Property Division set another all-time payout record in Fiscal Year 2002. More than 21,000 claims were approved, returning over \$27 million to rightful owners and/or their heirs. This broke the previous payout record set in FY 2001.

Notable 2001-2002 Legislative Changes

Public Act 122 of 2001

Created the Equitable Sales and Use Tax Administration Act under which the Department of Treasury could enter into a Streamlined Sales and Use Tax agreement with other states. The Streamlined Sales Tax agreement was adopted November 12, 2002. Treasury staff estimates Sales and Use Tax losses from remote sales will reach \$273 million in FY 2003.

Public Act 168 of 2001

Amended the Revenue Act to require a tax amnesty period of 30 to 60 days, as determined by the State Treasurer, ending before September 30, 2002. This act also revised provisions that allow the Department to enter into voluntary disclosure agreements with non-filing taxpayers. The 2002 Tax Amnesty program took in more than \$30 million in net new revenue.

Public Act 215 of 2001

Amended the Michigan Education Savings Program Act to remove the State penalty from an unqualified withdrawal from an education savings account, if a Federal penalty or tax was imposed. Public Act 215 also raised the maximum amount that all accounts, for one individual, may contain from \$125,000 to \$235,000.

Public Act 27 of 2002

Allows municipalities to designate a structure or lot as "blighted property" and acquire title to it by purchase, gift, exchange, or condemnation. Public Act 27 also requires the municipality to develop the property or transfer it for development. Municipalities are also allowed to accept a deed instead of foreclosure for delinquent property taxes on the property.

Public Act 49 of 2002

Created the Michigan Broadband Development Authority to make loans to, and enter into joint venture and partnership arrangements with, broadband developers and operators. Public Act 49 also authorizes the Authority to issue tax-exempt bonds and notes to finance or refinance all or part of the development of the broadband infrastructure, and specify that the notes or bonds are not a debt of the State.



STATE OF MICHIGAN
OFFICE OF THE AUDITOR GENERAL
201 N. WASHINGTON SQUARE
LANSING, MICHIGAN 48913
(517) 334-8050
FAX (517) 334-8079

THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

Independent Auditor's Report

February 25, 2003

Mr. Jay B. Rising
State Treasurer
State of Michigan

Dear Mr. Rising:

We have audited the accompanying schedule of State Treasurer's Common Cash - assets and equities, schedule of investment portfolios of specific funds, and schedule of investment revenues as of and for the fiscal years ended September 30, 2002 and September 30, 2001. These financial schedules are the responsibility of the Department of Treasury's management. Our responsibility is to express an opinion on these financial schedules based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1b, the accompanying financial schedules include only the schedule of State Treasurer's Common Cash - assets and equities, presented on the cash basis of accounting, and the schedule of investment portfolios of specific funds and the schedule of investment revenues, presented on the accrual basis of accounting. Accordingly, these financial schedules are not intended to constitute a complete financial presentation of either the Department of Treasury or the State's General Fund in accordance with accounting principles generally accepted in the United States of America.

In our opinion, the financial schedules referred to in the first paragraph present fairly, in all material respects, the State Treasurer's Common Cash - assets and equities, the investment portfolios of specific funds, and the investment revenues as of and for the fiscal years ended September 30, 2002 and September 30, 2001 on the basis of accounting described in Note 1b.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 25, 2003 on our tests of the Department of Treasury's compliance with certain provisions of laws, regulations, contracts, and grants and on our consideration of its internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The supplemental tables and statistical data, listed in the foregoing table of contents, were not audited by us and, accordingly, we express no opinion on them.

Sincerely,

Thomas H. McTavish, C.P.A.
Auditor General

Schedule 1



State Treasurer's Common Cash - Assets and Equities (In Thousands of Dollars)

	<u>Fiscal Year Ended September 30</u>	
	<u>2002</u>	<u>2001</u>
<u>Assets</u>		
Cash on Hand	\$ 1	\$ 1
Demand Deposits	228,468	128,084
Time Deposits - Regular	52,913	53,984
Time Deposits - Marina Loan Program	529	551
Time Deposits - Agricultural Loan Program	6,780	-0-
Prime Commercial Paper	2,815,436	4,549,626
Emergency Municipal Loans	44,570	42,115
Michigan Sugar Beet Loan Program	5,000	-0-
Total	<u>\$ 3,153,697</u>	<u>\$ 4,774,361</u>
 <u>Equities</u>		
Available Equity of Other Funds	\$ 3,016,161	\$ 4,589,464
Outstanding Warrants	<u>137,536</u>	<u>184,897</u>
Total	<u>\$ 3,153,697</u>	<u>\$ 4,774,361</u>

The accompanying notes are an integral part of the financial schedules.

Schedule 2



Investment Portfolios of Specific Funds (In Thousands of Dollars)

Fund	Short-term Investments	Government Securities	Corporate Bonds, Notes and Contracts	Common and Preferred Stock	Mortgages	Real Estate	Alternative Investments	International Equities	Fiscal Year Ended Sept. 30	
									2002 Total	2001 Total
Legislative Retirement	\$ 2,913	\$ -0-	\$ -0-	\$ 137,618	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 140,531	\$ 158,205
State Police Retirement	11,185	120,010	88,223	371,633	71	90,920	131,177	68,066	881,285	1,031,304
State Employees' Retirement	150,188	1,189,931	817,597	3,412,686	1,733	869,008	1,219,656	619,222	8,280,021	9,599,430
Public School Employees' Retirement	755,831	4,155,582	2,898,261	12,594,324	20,000	2,938,911	4,277,789	2,265,840	29,906,538	34,650,815
Judges' Retirement	8,336	36,246	22,694	98,112	17	29,143	23,818	15,373	233,739	273,364
Michigan Veterans' Trust	10,632	38,388	-0-	-0-	-0-	-0-	-0-	-0-	49,020	49,993
Game and Fish Protection	29,168	1,768	-0-	-0-	-0-	-0-	-0-	-0-	30,936	30,439
Game and Fish Protection Trust	12,053	80,970	-0-	-0-	-0-	-0-	-0-	-0-	93,023	92,197
Michigan Civilian Conservation Corps	3,682	16,806	-0-	-0-	-0-	-0-	-0-	-0-	20,488	21,133
Michigan Natural Resources Trust	87,309	177,094	-0-	-0-	-0-	-0-	-0-	-0-	264,403	268,925
Michigan State Parks Endowment	29,351	89,159	-0-	-0-	-0-	-0-	-0-	-0-	118,511	107,746
Children's Trust	3,587	18,320	-0-	-0-	-0-	-0-	-0-	-0-	21,907	21,470
Michigan Nongame Fish and Wildlife	1,526	5,054	-0-	-0-	-0-	-0-	-0-	-0-	6,580	6,744
State Lottery	6,484	783,327	-0-	-0-	-0-	-0-	-0-	-0-	789,811	825,567
Michigan Higher Education Assistance Authority	-0-	1,517	-0-	-0-	-0-	-0-	-0-	-0-	1,517	1,510
Michigan Education Trust	59,026	530,768	249,605	18,222	-0-	-0-	-0-	-0-	857,621	814,362
Gifts, Bequests, and Deposits Investment	23,375	13,950	-0-	77	-0-	-0-	-0-	-0-	37,402	38,410
Federal Housing Administration Mortgage Escrow	393	-0-	-0-	-0-	-0-	-0-	-0-	-0-	393	884
Totals	\$1,195,039	\$7,258,890	\$4,076,380	\$16,632,672	\$21,821	\$3,927,982	\$5,652,440	\$2,968,501	\$41,733,726	\$47,992,498

The accompanying notes are an integral part of the financial schedules.

Schedule 3



Investment Revenues (In Thousands of Dollars)

Fund	Common Cash	Specific Funds	Total Revenues Fiscal Year Ended September 30	
			2002	2001
General	\$ (1,664)		\$ (1,664)	\$ 66,572
Counter - Cyclical Budget and Economic Stabilization	20,794		20,794	66,736
Game and Fish Protection	548	\$ 111	659	1,267
State Aeronautics	508		508	758
Michigan Veterans' Trust	184	2,589	2,773	5,022
State Trunkline	7,463		7,463	12,649
Michigan State Waterways	1,269		1,269	3,434
Blue Water Bridge	342		342	1,015
Michigan Transportation	4,496		4,496	10,985
Comprehensive Transportation	723		723	2,240
Marine Safety	96		96	302
Game and Fish Protection Trust	344	5,149	5,493	9,892
State Park Improvement	215		215	639
Forest Development	222		222	589
Recreation Bond - Local Projects	57		57	162
Michigan Civilian Conservation Corps	163	1,041	1,204	1,186
Michigan Natural Resources Trust	1,142	12,728	13,870	26,641
Michigan State Parks Endowment	472	5,895	6,367	11,731
Safety Education and Training	65		65	162
Clean Michigan Initiative Bond - Local Projects	324		324	(107)
Environmental Protection Bond	17		17	2,083
Clean Michigan Initiative Bond - Environment Projects	159		159	2,749
Bottle Deposits	2,871		2,871	6,188
State Construction Code	277		277	692
Children's Trust	97	950	1,047	1,988
Homeowner Construction Lien Recovery	47		47	159
Michigan Nongame Fish and Wildlife	46	359	405	374
1989 State Trunkline Bond Proceeds	41		41	112
1992 State Trunkline Bond Proceeds	186		186	583
1992 State Trunkline Critical Bridge Bond Proceeds	2		2	13
1992 Comprehensive Transportation Bond Proceeds	97		97	607
1994 State Trunkline Bond Proceeds	51		51	191
1996 State Trunkline Bond Proceeds	- - -		- - -	(25)
Michigan Merit Award Trust	3,042		3,042	4,617
Tobacco Settlement Trust	4,100		4,100	10,959
2001 Build Michigan III Bond Proceeds	4,502		4,502	1,923
2001 Build Michigan II - GARVEE Bond Proceeds	3,471		3,471	1,819
Comprehensive Transportation Bond Proceeds	147		147	- - -
Michigan Underground Storage Tank Financial Assurance	19		19	55
Liquor Purchasing Revolving	1,562		1,562	4,248
State Lottery	1,621	75,922	77,543	108,652

Schedule 3



Continued. . . (In Thousands of Dollars)

Fund	Common Cash	Specific Funds	Total Revenues Fiscal Year Ended September 30	
			2002	2001
Michigan Higher Education Assistance Authority	\$ - - -	\$ 94	\$ 94	\$ 122
State Sponsored Group Insurance	3,075		3,075	6,325
State Water Pollution Control Loan	418		418	1,117
Combined State Trunkline Bond and Interest Redemption	11		11	21
Combined Comprehensive Transportation Bond and Interest Redemption	4		4	1
Michigan Underground Storage Tank Financial Assurance Finance Authority	45		45	115
Clean Michigan Initiative Bond - State Projects	131		131	376
Recreation Bond - State Projects	47		47	192
Legislative Retirement	87	(11,998)	(11,911)	(18,884)
State Police Retirement	61	(106,127)	(106,066)	(136,149)
State Employees' Retirement	551	(986,457)	(985,906)	(1,247,748)
Public School Employees' Retirement	2,496	(3,655,000)	(3,652,504)	(4,511,763)
Judges' Retirement	42	(25,789)	(25,747)	(30,726)
Michigan Employment Security Act Contingent	1,487		1,487	4,625
Michigan Education Trust	- - -	48,898	48,898	79,260
Vietnam Veterans' Memorial Monument	14		14	55
State Employees' Deferred Compensation II (401(k))	(5)		(5)	- - -
Children's Institute Trust	2		2	6
Gifts, Bequests, and Deposits Investment	534	938	1,472	2,783
Silicosis, Dust Disease, and Logging Industry Compensation	77		77	260
Second Injury	535		535	817
Hospital Patients' Trust	8		8	35
Federal Housing Administration Mortgages Escrow	- - -	3	3	7
Self-Insurers' Security	99		99	180
State Employees' Defined Contribution Plan	(4)		(4)	- - -
Environmental Quality Deposits	83		83	145
Utility Consumer Representation	43		43	92
Bankrupt Self-Insured Corporations' Workers' Disability #1	- - -		- - -	6
Bankrupt Self-Insured Corporations' Workers' Disability #12	10		10	26
Bankrupt Self-Insured Corporations' Workers' Disability #13	5		5	24
Bankrupt Self-Insured Corporations' Workers' Disability #14	6		6	15
Bankrupt Self-Insured Corporations' Workers' Disability #15	1		1	3
Transportation Related Trust	(87)		(87)	(46)
TOTALS	\$69,894	\$(4,630,694)	\$(4,560,800)	\$(5,478,846)

The accompanying notes are an integral part of the financial schedules.

Notes to Financial Schedules



NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

a. Report Presentation

The accompanying financial schedules report the assets and equities of the State Treasurer's common cash (Schedule 1), investment portfolios of specific funds (Schedule 2), and investment revenues of the common cash and specific funds (Schedule 3).

The State Treasurer's common cash and specific funds are accounted for in various funds of the State of Michigan and reported in the *State of Michigan Comprehensive Annual Financial Report*.

The *State of Michigan Comprehensive Annual Financial Report* provides more extensive general disclosures regarding the State Treasurer's common cash and deposits and investments. These disclosures provide information regarding market values and risk levels of the deposits and investments.

Common Cash Pool. The State Treasurer, under the authority provided by state statute, manages the State's common cash pool. The pooling of cash allows the State Treasurer to invest money not needed to pay immediate obligations so that investment earnings on available cash are maximized. Pool investments are not segregated by fund; rather, each contributing fund's balance is treated as equity in the common cash pool.

Investments. The State Treasurer, under authority provided by state statutes, manages most investments for the State of Michigan.

Short-Term Investments: This category includes each of the listed fund's individually held short-term investments by classification, the fund's equity in the State Treasurer's common cash pool, and receivables and payables pertaining to security trades not yet settled at fiscal year-end.

Alternative Investments: These investments consist of limited partnerships.

Derivatives: These are financial instruments whose value is derived from, or based on, an underlying security, asset, reference rate or index. The State Treasurer only uses derivative securities or related contractual agreements to hedge assets held or to replicate asset returns. Derivatives are not used for speculation or to leverage the investment portfolios.

The State Treasurer does not employ the use of derivatives in the investment of the State Treasurer's common cash pool or the investment of trust funds other than the pension trust funds.

The State Treasurer invests in derivatives as detailed below:

- *U.S. Passive Equities (Derivatives):* These investments are equity index hedge and replication of return strategies and are categorized as Common Stock.

The pension trust fund portfolios have been invested from time to time in derivative securities and contracts related to U.S. passive equity funds. On September 30, 2002, no such synthetic index investment strategies were held. On September 30, 2001 these strategies comprised approximately 0.5 percent of the total pension trust funds.

- *International Equities (Derivatives):* These investments are swap agreements.

Swap agreements, which are tied to stock market indices in twenty-two foreign countries, are the core international equity investment strategy. These contractual agreements are made with large global banks and brokerage firms, and represented approximately 7.3 percent and 6.4 percent of the total pension trust funds on September 30, 2002 and 2001 respectively.

Separately issued financial reports including financial statements and required supplementary information are issued for the pension trust funds. These reports provide more extensive disclosures for derivatives.

b. Basis of Accounting

Schedule 1, *State Treasurer's Common Cash - Assets and Equities*, is presented on the cash basis of accounting. (The *State of Michigan Comprehensive Annual Financial Report's* disclosure regarding the State Treasurer's common cash includes \$4.3 million in interest receivable, because it is presented on the modified accrual basis of accounting.) Schedule 2, *Investment Portfolios of Specific Funds*, and Schedule 3, *Investment Revenues*, are reported on the accrual basis of accounting.



These financial schedules are not intended to constitute a complete financial presentation of either the Department of Treasury or the State's General Fund in accordance with accounting principles generally accepted in the United States of America.

c. Valuations of Investments

Schedule 1. All investments are reported at cost.

Demand deposits represent the account balance reported on bank statements and include deposits which are in the process of being collected through the banking system.

The market value of prime commercial paper at September 30, 2002 and 2001 was \$2,817.2 and \$4,560.5 million, respectively.

Schedule 2. Methods used to value investments:

All investments are reported at fair value, except for short-term investments, which are reported at cost. Securities traded on a national exchange are valued at last reported sales price. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair value.

d. Securities Lending Transactions

Under the authority of Act No. 314 of the Public Acts of 1965, the State lends securities to broker-dealers and other entities for collateral that will be returned for the same securities in the future. One of the State's custodial banks manages the securities lending program and receives securities as collateral. The custodian is not liable for any losses unless there is negligence or willful misconduct on its part. The collateral securities cannot be pledged or sold by the State and the State receives collateral in the amount of 102 percent of the market value of the securities lent. The types of securities lent are government securities, corporate bonds and equities, and the collateral received is cash, cash equivalents, and U.S. Treasury securities. There is no restriction on the amount of securities lent. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. At September 30, 2002 and 2001 the State had no outstanding credit risk. The market value of the securities lent at September 30, 2002 and 2001 was \$2,036.8 and \$2,250.0 million respectively.

NOTE 2: CHANGE IN REPORTING OF FUNDS

Effective for fiscal year ended September 30, 2001:

The 2001 Build Michigan III Bond Proceeds and 2001 Build Michigan II-GARVEE Bond Proceeds were added as new funds participating in the Common Cash Fund on Schedule 3. Bankrupt Self-Insured Corporations' Workers' Disability Fund #2 and #8 were removed from Schedule 3. State Employees' Deferred Compensation Fund I (457), State Employees' Deferred Compensation Fund II (401 (k)), and State Employees' Defined Contribution Retirement Fund were removed from Schedule 2 and 3. Game and Fish Protection Fund, Michigan Civilian Conservation Corps Fund, and Michigan Nongame Fish and Wildlife Trust Fund were added to Schedule 2.

Effective for fiscal year ended September 30, 2002:

The Comprehensive Transportation Bond Proceeds, the State Employees' Deferred Compensation II (401(k)), and the State Employees' Defined Contribution Plan were added as funds participating in the Common Cash Fund on Schedule 3. The Workplace Health and Safety Fund, Urban Land Assembly Loan - MSF, Workers Disability Compensation Multiple Trust Fund, Urban Land Assembly Loan, Bankrupt Self-Insured Corporations' Workers Disability Fund #5, and Bankrupt Self-Insured Corporations' Workers Disability Fund #6 were removed from Schedule 3.

The following fund names were restated: Michigan Conservation Endowment to Michigan Civilian Conservation Corps; State Lottery Deferred Prize to State Lottery; Debt Service - MUSTFA - Financial Authority to Michigan Underground Storage Tank Financial Assurance Finance Authority; Hazardous and Solid Waste Disposal Facilities Closure Guarantee to Environmental Quality Deposits; Bankrupt Self-Insured Corporations' Workers' Disability #10 to Bankrupt Self-Insured Corporations' Workers' Disability #13; Bankrupt Self-Insured Corporations' Workers' Disability #11 to Bankrupt Self-Insured Corporations' Workers' Disability #14; and Fred Sanders, Inc. Workers' Compensation Trust to Bankrupt Self-Insured Corporations' Workers' Disability #15.

Cash and Investments

The State Treasurer manages the State's cash so funds not needed to pay immediate obligations are invested to earn income. Investments include time certificates of deposit and prime commercial paper as detailed in Schedule 1, *State Treasurer's Common Cash - Assets and Equities*.

Statutes also allow the State Treasurer to loan funds from the common cash pool to financially troubled municipalities in Michigan and to make common cash available to Michigan farmers experiencing financial stress.

The common cash fund pools the cash balances of certain State funds until paid as provided by law. Manageable common cash includes the following funds:

- General
- School Aid
- Budget Stabilization
- Special Revenue and Enterprise
- Internal Service
- Trust and Agency

The State Treasurer is authorized to transfer cash on hand and on deposit among these funds to best manage the available cash, maximize short-term investment earnings and ensure that State obligations are paid when due.

Table 1



Investment Revenues for Fiscal Years 1993-2002 (In Thousands of Dollars)

Fiscal Year	General Fund Common Cash Earnings (Expenses) ^(a)	Public School Employees' Retirement	State Employees' Retirement	State Police Retirement	Judges' Retirement	Probate Judges' Retirement ^(b)	Other Investment Funds	Totals ^(c)
2002	\$ (1,664)	\$(3,652,504)	\$ (985,906)	\$(106,066)	\$(25,747)	- - -	\$211,087	\$(4,560,800)
2001	66,572	(4,511,763)	(1,247,748)	(136,149)	(30,726)	- - -	380,968	(5,478,846)
2000	72,497	4,818,123	1,378,453	146,279	44,467	- - -	327,887	6,787,706
1999	20,690	5,124,436	1,482,096	158,055	53,345	- - -	605,413	7,444,035
1998	(17,192)	2,443,513	718,011	76,461	26,467	- - -	497,425	3,744,685
1997	(72,004)	5,794,850	1,699,093	178,693	61,992	- - -	738,364	8,400,988
1996	(64,749)	3,325,848	965,921	101,983	35,277	- - -	759,728	5,124,008
1995	(67,292)	1,381,419	407,813	41,579	14,731	- - -	448,830	2,227,080
1994	(10,487)	1,112,592	328,409	33,787	12,001	- - -	396,095	1,872,397
1993	(1,176)	1,165,741	337,276	35,656	12,426	\$1,187	357,083	1,908,193

(a)

Fiscal Year Ending	Total State Treasurer's Common Cash Fund and General Obligation Note Retirement Fund Earnings	Distribution of Earnings to Retirement and Other Funds Reported in Their Earnings	General Fund Common Cash Earnings(Expenses)
2002	\$ 69,894	\$ 71,558	\$ (1,664)
2001	247,607	181,035	66,572
2000	277,698	205,201	72,497
1999	163,811	143,121	20,690
1998	143,222	160,414	(17,192)
1997	100,067	172,071	(72,004)
1996	99,461	164,210	(64,749)
1995	97,125	164,417	(67,292)
1994	64,435	74,922	(10,487)
1993	50,748	51,924	(1,176)

(b) Effective fiscal year 1993, the Probate Judges' Retirement Fund was combined with the Judges' Retirement Fund.

(c) Effective October 1, 1997, revenues for nonretirement funds include unrealized gains and losses. Retirement funds were reported at fair value effective October 1, 1996.

Table 2

Statement of Actual Available Month-End Common Cash (In Millions of Dollars)

Month	Combined General Fund and School Aid Fund	Budget Stabilization Fund	Other Funds	Manageable Common Cash ^(a)	Retirement Funds	Bond Funds ^(b)	Total Common Cash ^(c)
October 2001	\$ 1,409.6	\$ 994.2	\$ 1,683.9	\$ 4,087.7	\$ 160.6	\$ 628.0	\$ 4,876.3
November	1,387.0	927.2	1,786.4	4,100.6	168.4	564.1	4,833.1
December	994.1	927.2	1,679.3	3,600.6	160.8	510.0	4,271.4
January 2002	903.2	934.9	1,698.9	3,537.0	174.0	496.6	4,207.6
February	169.1	934.9	1,773.6	2,877.6	155.2	480.4	3,513.2
March	(507.9)	934.9	1,827.0	2,254.0	207.8	474.6	2,936.4
April	(709.5)	934.9	2,087.7	2,313.1	177.7	460.5	2,951.3
May	(896.3)	939.3	2,070.3	2,113.3	191.8	409.7	2,714.8
June	(1,412.9)	939.3	2,060.6	1,587.0	135.1	365.2	2,087.3
July	(1,210.1)	943.6	2,064.5	1,798.0	154.8	311.1	2,263.9
August	(1,950.6)	943.6	2,112.4	1,105.4	118.1	341.4	1,564.9
September	454.7	145.2	1,776.3	2,376.1	121.8	518.2	3,016.2

(a) Manageable Common Cash includes the General, School Aid and Budget Stabilization Funds; Special Revenue, Enterprise, Internal Service, Trust and Agency Funds; and State Building Authority Advance Financing Funds. The State Treasurer is authorized to transfer cash on hand and on deposit among these funds in such a manner as to best manage the available cash on hand.

(b) Includes Debt Service, Capital Projects and Bond Funds.

(c) Includes Manageable Common Cash, Retirement, Debt Service, Capital Projects and Bond Funds.

Table 3

Common Cash History (In Millions of Dollars)

Fiscal Year Ended	Combined General Fund and School Aid Fund	Budget Stabilization Fund	Other Funds	Manageable Common Cash ^(a)	Retirement Funds	Bond Funds ^(b)	Total Common Cash ^(c)
September 1993 ^(d)	\$ 32.7	\$ 20.7	\$ 1,067.6	\$ 1,121.0	\$ 238.6	\$ 349.2	\$ 1,708.8
September 1994 ^(d)	226.2	311.7	1,307.8	1,845.7	356.8	309.8	2,512.3
September 1995	(342.6)	1,083.4	1,369.1	2,109.9	586.0	352.2	3,048.1
September 1996	(700.0)	1,173.4	1,387.8	1,861.2	298.2	205.2	2,364.6
September 1997	(493.9)	1,152.4	1,339.6	1,998.1	133.4	143.5	2,275.0
September 1998	136.0	1,000.5	1,426.3	2,562.8	140.3	264.2	2,967.3
September 1999	1,068.3	1,222.5	1,423.9	3,714.7	142.9	130.2	3,987.8
September 2000	1,631.6	1,264.4	1,996.1	4,892.1	186.2	153.4	5,231.7
September 2001	1,091.5	994.2	1,782.5	3,868.2	143.1	578.2	4,589.5
September 2002	454.7	145.2	1,776.3	2,376.1	121.8	518.2	3,016.2

(a) Manageable Common Cash includes the General, School Aid and Budget Stabilization Funds; Special Revenue, Enterprise, Internal Service, Trust and Agency Funds; and State Building Authority Advance Financing Funds. The State Treasurer is authorized to transfer cash on hand and on deposit among these funds in such a manner as to best manage the available cash on hand.

(b) Includes Debt Service, Capital Projects and Bond Funds.

(c) Includes Manageable Common Cash, Retirement, Debt Service, Capital Projects and Bond Funds. Fiscal years 1993 and 1994 include Imprest Cash and/or transactions in process.

(d) General and School Aid Funds balance includes \$18.6 million of transactions in process for 1993 and \$26.1 million for 1994.

Table 4



State Treasurer's Common Cash Fund, Cash Balances and Transactions by Fund (In Thousands of Dollars)

Fund	Cash Balances 10-1-01	Receipts (a)	Disburse- ments (b)	Transfers In	Transfers Out	Cash Balances 9-30-02	Warrants Outstanding	Available Balances 9-30-02
GENERAL AND SCHOOL AID								
General	\$1,343,992	\$26,735,097	\$27,588,555	\$2,176,365	\$1,506,120	\$1,160,779	\$91,514	\$1,069,264
School Aid	(117,303)	9,729,118	11,402,656	1,179,101	2,829	(614,570)	11	(614,581)
Total General and School Aid	\$1,226,689	\$36,464,215	\$38,991,212	\$3,355,466	\$1,508,950	\$ 546,208	\$91,526	\$ 454,683
BUDGET STABILIZATION								
Counter-Cyclical Budget and Economic Stabilization	\$ 994,187	\$ 20,794	\$ -0-	\$ -0-	\$ 869,831	\$ 145,150	\$ -0-	\$ 145,150
Total Budget Stabilization	\$ 994,187	\$ 20,794	\$ -0-	\$ -0-	\$ 869,831	\$ 145,150	\$ -0-	\$ 145,150
SPECIAL REVENUE								
Game and Fish Protection	\$ 30,186	\$ 53,209	\$ 64,114	\$ 11,467	\$ 1,579	\$ 29,168	\$ 477	\$ 28,691
Michigan Employment Security Act-Administration	(741)	121,064	135,619	1,552	1,850	(15,593)	366	(15,960)
State Aeronautics	11,082	94,048	107,896	24,599	279	21,554	613	20,942
Michigan Veterans' Trust	6,323	17,717	10,923	-0-	8	13,109	27	13,082
State Trunkline	380,268	660,666	1,317,635	828,119	90,877	460,541	6,854	453,687
Michigan State Waterways	66,359	9,827	28,364	14,927	418	62,331	185	62,147
Blue Water Bridge	17,019	11,586	6,972	-0-	4,844	16,789	58	16,731
Michigan Transportation	181,976	1,978,510	923,012	1,340	1,029,859	208,954	654	208,300
Comprehensive Transportation	69,653	115,527	255,453	161,011	31,430	59,308	2,398	56,910
Marine Safety	6,339	5,516	6,721	1	1,120	4,015	177	3,838
Game and Fish Protection Trust	9,988	37,589	24,046	-0-	11,478	12,053	-0-	12,053
State Park Improvement	14,385	31,593	32,284	-0-	212	13,481	338	13,144
Forest Development	11,022	23,557	22,928	-0-	147	11,503	97	11,406
Michigan Civilian Conservation Corps	19,127	7,701	23,136	-0-	10	3,682	27	3,655
Michigan Natural Resources Trust	33,292	136,362	72,298	-0-	10,046	87,309	1,214	86,096
Michigan State Parks Endowment	12,251	34,272	27,140	10,000	32	29,351	39	29,312
Safety Education and Training	3,824	6,971	6,547	-0-	48	4,200	75	4,125
Uninsured Employers' Security	479	-0-	-0-	-0-	479	-0-	-0-	-0-
Bottle Deposits	151,442	36,219	34,956	-0-	151	152,554	1,317	151,237
State Construction Code	14,494	8,329	10,232	-0-	95	12,496	13	12,483
Children's Trust	6,265	12,416	15,098	10	5	3,587	1	3,586
State Casino Gaming	11,376	28,743	14,359	-0-	20,947	4,813	19	4,794
Homeowner Construction Lien Recovery	2,756	431	1,198	-0-	17	1,972	4	1,968
Michigan Nongame Fish and Wildlife	5,992	2,013	6,473	-0-	6	1,526	7	1,519
Michigan Merit Award Trust	143,590	248,570	125,084	-0-	131,524	135,552	160	135,393
Tobacco Settlement Trust	179,487	86,646	153,438	-0-	27,500	85,196	181	85,015
Michigan Underground Storage Tank Financial Assurance (MUSTFA)	2,078	60,962	3,890	4,000	61,174	1,976	53	1,923
State Building Authority Advance Financing	(173,697)	413,077	328,463	15,413	-0-	(73,671)	421	(74,092)
Michigan Strategic	200,384	249,724	304,378	-0-	-0-	145,729	665	145,064
Total Special Revenue	\$1,416,998	\$4,492,844	\$4,062,657	\$1,072,438	\$1,426,134	\$1,493,489	\$16,441	\$1,477,048

Table 4



Continued... (In Thousands of Dollars)

Fund	Cash Balances 10-1-01	Receipts (a)	Disburse- ments (b)	Transfers In	Transfers Out	Cash Balances 9-30-02	Warrants Outstanding	Available Balances 9-30-02
BOND, DEBT SERVICE AND CAPITAL PROJECTS								
Recreation Bond - Local Projects	\$ 2,853	\$ 57	\$ 288	\$ -0-	\$ 1	\$ 2,620	\$ -0-	\$ 2,620
Clean Michigan Initiative Bond - Local Projects	(6,135)	33,038	18,684	-0-	1	8,218	976	7,242
Clean Michigan Initiative Bond - Environmental Projects	33,686	5,220	61,618	-0-	21	(22,734)	545	(23,279)
Environmental Protection Bond	14,415	658	26,400	-0-	-0-	(11,326)	111	(11,437)
School Bond Loan	1,050	96,338	76,541	-0-	20,799	48	-0-	48
1989 State Trunkline Bond Proceeds	2,100	41	338	-0-	1	1,801	-0-	1,801
1992 State Trunkline Bond Proceeds	9,004	8,388	7,281	-0-	408	9,704	62	9,642
1992 State Trunkline Critical Bridge Bond Proceeds	260	2	-0-	-0-	262	-0-	-0-	-0-
1992 Comprehensive Transportation Bond Proceeds	7,742	104	5,799	-0-	3	2,045	76	1,969
1994 State Trunkline Bond Proceeds	2,391	826	487	-0-	45	2,685	11	2,674
1996 State Trunkline Bond Proceeds	-0-	154	154	-0-	-0-	-0-	-0-	-0-
2001 Build Michigan III Bond Proceeds	243,591	54,271	103,463	8,640	8,004	195,035	428	194,608
2001 Build Michigan II - GARVEE Bond Proceeds	261,504	218,466	246,512	-0-	7,349	226,109	97	226,012
Comprehensive Transportation Bond Proceeds	-0-	89,179	516	-0-	-0-	88,663	12	88,651
Combined State Trunkline Bond and Interest Redemption	-0-	104,500	171,003	66,693	-0-	190	-0-	190
Combined Comprehensive Transportation Bond and Interest Redemption	-0-	95,644	116,994	21,351	1	-0-	-0-	-0-
Michigan Underground Storage Tank Financial Assurance Finance Authority	5,785	4,045	60,417	60,931	4,000	6,344	-0-	6,344
Recreation and Environmental Protection Bond Redemption	1	-0-	69,446	69,445	-0-	-0-	-0-	-0-
School Loan Bond Redemption	-0-	-0-	48,068	48,068	-0-	-0-	-0-	-0-
State Park Revenue Bond	-0-	15,507	11,834	-0-	-0-	3,673	-0-	3,673
Clean Michigan Initiative Bond - State Projects	(534)	23,047	16,876	-0-	3	5,634	9	5,625
Recreation Bond - State Projects	2,800	47	1,001	-0-	1	1,845	-0-	1,845
Total Bond, Debt Service and Capital Projects	\$580,511	\$ 749,534	\$1,043,722	\$275,128	\$ 40,899	\$520,552	\$2,326	\$518,226
ENTERPRISE								
Liquor Purchasing Revolving	\$ 52,393	\$ 620,195	\$ 494,231	\$ -0-	\$126,795	\$ 51,563	\$6,753	\$ 44,809
State Lottery	7,463	1,106,147	495,060	-0-	612,066	6,484	1,685	4,799
Michigan Higher Education Assistance Authority	-0-	142	142	-0-	-0-	-0-	-0-	-0-
Michigan State Housing Development Authority	-0-	107,765	107,765	-0-	-0-	-0-	-0-	-0-
State Water Pollution Control Loan	19,527	95,770	103,919	-0-	-0-	11,378	-0-	11,378
Total Enterprise	\$ 79,384	\$1,930,019	\$1,201,117	\$ -0-	\$738,860	\$ 69,425	\$8,438	\$ 60,987
INTERNAL								
Correctional Industries Revolving	\$ 4,677	\$ 41,319	\$ 42,813	\$ -0-	\$ 204	\$ 2,979	\$ 401	\$ 2,578
Motor Transport Revolving	(13,493)	67,016	67,474	-0-	75	(14,026)	20	(14,046)
Office Services Revolving	(6,050)	83,337	80,998	-0-	157	(3,869)	188	(4,057)
Information Technology Internal Service	(6,603)	104,596	127,963	-0-	194	(30,165)	1,271	(31,436)
Risk Management	10,106	55,761	55,727	-0-	17	10,124	9	10,115
State Sponsored Group Insurance	148,604	832,580	812,805	-0-	23	168,356	1,741	166,615
Total Internal	\$137,241	\$1,184,610	\$1,187,781	\$ -0-	\$ 670	\$133,399	\$3,630	\$129,769

Table 4



Concluded... (In Thousands of Dollars)

Fund	Cash Balances 10-1-01	Receipts (a)	Disburse- ments (b)	Transfers In	Transfers Out	Cash Balances 9-30-02	Warrants Outstanding	Available Balances 9-30-02
RETIREMENT								
Legislative	\$ 4,054	\$ 88,262	\$ 89,323	\$ -0-	\$ -0-	\$ 2,994	\$ 35	\$ 2,959
State Police	7,020	653,889	659,283	-0-	-0-	1,626	223	1,403
State Employees'	44,692	6,259,101	6,283,958	-0-	15	19,820	2,884	16,936
Public School Employees'	96,412	27,003,958	26,994,225	-0-	81	106,063	8,697	97,366
Judges'	4,327	214,749	215,852	-0-	-0-	3,223	67	3,156
Total Retirement	\$ 156,505	\$34,219,960	\$34,242,641	\$ -0-	\$ 97	\$ 133,726	\$ 11,906	\$ 121,820
TRUST AND AGENCY								
Michigan Employment Security Act Contingent	\$ 87,565	\$ 13,466	\$ -0-	\$ -0-	\$ 83,360	\$ 17,672	\$ -0-	\$ 17,672
Vietnam Veterans' Memorial Monument	1,148	128	792	-0-	-0-	483	-0-	483
Bankrupt Self Insured Corporations' Workers' Disability Fund #13	464	3	-0-	-0-	466	-0-	-0-	-0-
Bankrupt Self Insured Corporations' Workers' Disability Fund #14	296	6	60	-0-	-0-	241	-0-	241
Bankrupt Self Insured Corporations' Workers' Disability Fund #12	509	10	12	-0-	(3)	510	-0-	510
Metropolitan Planning	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Children's Institute Trust	111	2	-0-	-0-	5	108	-0-	108
Abandoned and Unclaimed Property (Escheats)	21,060	43,948	(11)	217	36,602	28,633	1,036	27,597
Gifts, Bequests, and Deposits Investment	24,030	96,298	94,979	98	2,072	23,375	871	22,504
Silicosis, Dust Disease, and Logging Industry Compensation	5,125	2,189	4,264	-0-	8	3,043	42	3,001
Assigned Claims Plan	134	68,266	67,581	-0-	687	131	6	126
Second Injury	34,243	10,437	23,491	-0-	19	21,170	475	20,695
Hospital Patients' Trust	377	2,692	2,719	-0-	-0-	350	22	329
Federal Housing Administration Mortgages Escrow	720	854	1,181	-0-	-0-	393	-0-	393
Self-Insurers' Security	3,833	7,565	5,174	763	306	6,681	28	6,654
State Employees' Deferred Comp. I (457)	568	57,995	58,004	-0-	-0-	559	-0-	559
State Employees' Deferred Comp. II (401(k))	464	121,453	121,525	-0-	-0-	391	-0-	391
State Employees' Defined Contribution Plan	31	59,811	59,892	-0-	-0-	(50)	-0-	(50)
Special Assessment Deferment	507	177	55	-0-	-0-	629	-0-	628
Environmental Quality Deposits	3,407	952	126	-0-	-0-	4,233	-0-	4,233
Insurance Carrier Deposits	1,018	73,752	73,284	-0-	-0-	1,487	119	1,368
Utility Consumer Representation	1,921	1,393	501	-0-	3	2,809	-0-	2,809
Bankrupt Self Insured Corporations' Workers' Disability Fund #1	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Bankrupt Self Insured Corporations' Workers' Disability Fund #15	57	1	-0-	-0-	-0-	58	-0-	58
Transportation Related Trust	(4,740)	266,655	267,933	4,888	32	(1,162)	670	(1,831)
State Treasurer's Escrow and Paying Agent	-0-	36	36	-0-	-0-	-0-	-0-	-0-
Total Trust and Agency	\$ 182,846	\$ 828,088	\$ 781,596	\$ 5,968	\$ 123,559	\$ 111,746	\$ 3,268	\$ 108,478
GRAND TOTALS	\$4,774,361	\$79,890,063	\$81,510,727	\$4,709,000	\$4,709,000	\$3,153,697	\$137,536	\$3,016,161

(a) Receipts include \$29,270 million of securities sold and matured.

(b) Disbursements include \$27,549 million of securities purchased.

Table 5



Demand Depositories as of September 30, 2002 (In Thousands of Dollars)

City	Depository Bank	Deposits ^(a)	City	Depository Bank	Deposits ^(a)
Adrian	Sky Bank	\$ 165	Ishpeming	Peninsula Bank	\$ 33
	Bank of Lenawee	103	Ithaca	Commercial National Bank	5
Alma	Firstbank, Alma	120	Kalamazoo	National City Bank	10,917
Bad Axe	Signature Bank	87	L'Anse	Commercial National Bank	39
Baldwin	Lake Osceola State Bank	96	Lansing	Standard Federal Bank-Credit Card	234
Benton Harbor	Chemical Bank Shoreline	765		Standard Federal Bank-Main Acct.	9,177
Beulah	Central State Bank	27	Lapeer	Lapeer County Bank and Trust	69
Cadillac	Chemical Bank - West	1,135	Manistique	North Country Bank	66
Caro	Independent Bank - East Michigan	4		State Savings Bank	19
Cheboygan	Citizens National Bank	74	Marquette	Wells Fargo Bank, Michigan	1,669
Chelsea	Chelsea State Bank	67	Mason	Mason State Bank	752
Coldwater	Century Bank and Trust	94	Midland	Chemical Bank and Trust	1,926
	Southern Michigan National Bank	52	Monroe	Monroe Bank and Trust	1,674
Croswell	Eastern Michigan Bank	76	Mt. Pleasant	Isabella Bank and Trust	50
Crystal Falls	First National Bank	12	Munising	Peoples State Bank of Munising	20
Detroit	Bank One-Income Tax	7,908	Newberry	Tahquamenon Area Credit Union	18
	Bank One-Main Acct.	146,834	Norway	First National Bank	19
	Comerica Bank - Detroit	17,716	Ontonagon	Citizens State Bank	17
	Comerica Bank - ACH Service	5,324	Port Austin	Port Austin State Bank	7
	First Independence National Bank	200	Rockford	Independent Bank - West Michigan	31
Eastpointe	First State Bank	152	St. Charles	Community State Bank	41
East Tawas	Huron Community Bank	67	St. Ignace	First National Bank	101
Escanaba	Northern Michigan National Bank	18	Sault Ste. Marie	Central Savings Bank	8
	State Bank of Escanaba	60		Soo Co-Op Credit Union	14
Fenton	The State Bank	145	Shelby	Shelby State Bank	59
Flint	Citizens Banking Corporation	4,824	Sparta	Choice One	15
Gladstone	Bay Bank	3	Stockbridge	Stockbridge State Bank	11
	First Bank Upper Michigan	15	Three Rivers	First National Bank	63
Grand Rapids	Fifth Third Bank	10,512	Wakefield	First National Bank	86
Hancock	Superior National Bank and Trust	142	West Branch	Firstbank, West Branch	11
Hastings	National Bank of Hastings	95	Zeeland	Huntington National Bank	4,045
Hillsdale	Hillsdale County National Bank	75			
Ionia	Independent Bank	183	Total		228,468
	Ionia County National Bank	65			
Iron Mountain	First National Bank of Iron Mountain	53			

(a) Deposits represent the account balance reported on bank statements and include deposits which are in the process of being collected through the banking system. Deposits are rounded to the nearest thousand and are secured by \$536 million of collateral.

Bonds and Notes

The Michigan Constitution limits State general obligation debt to (1) short-term debt for State operating purposes, (2) short- and long-term debt for the purpose of making loans to school districts, and (3) long-term debt for voter-approved purposes.

Short-term debt for operating purposes is limited to an amount not in excess of 15 percent of undedicated revenues received during the preceding fiscal year. Under the Michigan Constitution as implemented by statutory provisions, such debt must be authorized by the State Administrative Board and issued only to meet obligations incurred pursuant to appropriation and must be repaid during the fiscal year in which it was incurred. Such debt does not require voter approval.

The amount of debt incurred by the State for the purpose of making loans to school districts is recommended by the State Treasurer, who certifies the amounts necessary for loans to school districts semiannually. The bonds may be issued in whatever amount is required without voter approval. All other general obligation bonds issued by the State must be approved as to amount, purpose, and method of payment by a two-thirds vote of each house of the Legislature and by a majority vote of the public at a general election.

There is no limitation as to number or size of such general obligation issues.

General Obligation Debt

All current general obligation bond and note issues are presented in Table 6, *General Obligation Debt, Bond and Note Payments*, below. During fiscal 2002, the State issued new debt for \$154.5 million to fund the School Bond Loan and Clean Michigan Initiative Programs. The State also issued \$300.7 million to refund existing debt at a lower interest rate.

Special Authority Revenue Bond Debt

Certain governmental authorities issue revenue bonds for construction projects and to acquire or build facilities for the State or its institutions of higher learning. These bonds, as shown in Table 7, *Special Authority Revenue Bond Debt*, are obligations of the individual authorities and are not direct general obligations of the State.

Special Revenue Debt

The State periodically issues long-term bonds for specific purposes, as presented in Table 11, *Special Revenue Debt, Bond and Note Payments*. These issues are not supported by the State's general credit, and their financing comes strictly from the designated revenue sources.



Table 6

General Obligation Debt, Bond and Note Payments (In Thousands of Dollars)

							Outstanding Principal as of 9-30-02
Item		Issue Date	Maturity Dates	New Issues	Principal Payments	Interest Payments*	
School Bond Loan (a)	Series 1995	1995	1996-2015	\$ -0-	\$ 25,700	\$ 3,162	\$ 39,630 *
	Series 1998	1998	2000-2017	-0-	75,220	7,304	78,855 *
	Series 2001 (Refunding)	2001	2002-2016	-0-	50	4,643	85,245
	Series 2001A Multi-Modal	2001	2005-2021	-0-	-0-	-0-	81,300
	Series 2001B Multi-Modal	2001	2021	1,245	-0-	-0-	1,245
	Series 2001C Multi-Modal	2001	2019-2021	45,880	-0-	-0-	45,880
	Series 2002A Multi-Modal	2002	2005-2021	50,600	19,590	288	31,010
	Series 2002 (Refunding)	2002	2003-2015	85,125	-0-	-0-	85,125
Environmental Protection (b)	Series 1989	1989	1994-2019	-0-	2,902	1,876	8,877 *
	Series 1992	1992	2005-2012	-0-	1,841	5,861	80,383 *
	Water Pollution 1992	1992	1994-2012	-0-	700	559	8,705
	Water Pollution 1993	1993	1995-2013	-0-	875	616	11,890
	Series 1995	1995	1996-2019	-0-	39,925	6,827	86,186 *
	Series 1998	1998	1998-2017	-0-	60,390	3,876	19,905 *
	Series 2000	2000	2001-2020	-0-	41,075	3,097	18,925 *
	Series 2001 (Refunding)	2001	2002-2016	-0-	-0-	4,694	86,140
Recreation (c)	Series 2002 (Refunding)	2002	2004-2015	132,805	-0-	-0-	132,805
	Series 1992	1992	1993-2004	-0-	29,255	1,435	-0- *
	Series 1995	1995	1996-2019	-0-	10,206	361	-0- *
	Series 2001 (Refunding)	2001	2002-2004	-0-	30	591	11,815
Clean Michigan Initiative (d)	Series 2002 (Refunding)	2002	2005-2012	22,935	-0-	-0-	22,935
	Series 1999A	1999	2003-2019	-0-	59,325	4,506	22,440 *
	Series 1999B	1999	2000-2002	-0-	5,095	535	5,430
	Series 2001	2001	2003-2019	56,760	-0-	1,459	56,760
	Series 2002 (Refunding)	2002	2004-2016	59,790	-0-	-0-	59,790
Total General Obligation Debt				\$455,140	\$372,179	\$51,690	\$1,081,276

(a) P.A. 112 of 1961 as amended, provides that the State may borrow from time to time such amounts as shall be required for the purpose of making loans to school districts. Requirements are determined semiannually and General Obligation debt is issued as needed.

(b) P.A. 328 of 1988, provided for the issuance of \$660 million General Obligation Bonds, of which \$113.4 million remains.

(c) P.A. 329 of 1988, provided for the issuance of \$140 million General Obligation bonds, all of which have been issued.

(d) P.A. 284 of 1998 and P.A. 451 of 1994 as amended, provided for the issuance of \$675 million General Obligation bonds, of which \$521 million remains.

* All or part of the principal amount not presented and not represented in the totals due to the advanced refunding of all or part of this obligation. The table below summarizes the advanced refunding activity by type of bond.

Series	Advanced Refunded From Series	Amount Refunded	FY 02 Paid From Escrow Principal	FY 02 Escrow Interest	FY 02 Escrow Balance
General Obligation Debt:					
School Bond Loan	2001, 2002	\$ 172,365	\$ -0-	\$ 4,777	\$ 172,365
Environmental Protection	1995, 2001, 2002	232,970	-0-	7,635	230,472
Recreation	2001, 2002	35,365	-0-	707	35,365
Clean Michigan Initiative	2002	59,325	-0-	-0-	59,325
		\$ 500,025	\$ -0-	\$ 13,119	\$ 497,527

Table 7



Special Authority Revenue Bond Debt ^(a) (In Thousands of Dollars)

Item	New Issues	Principal Payments	Interest Payments	Outstanding Principal as of 9-30-02
Mackinac Island State Park Commission	\$ -0-	\$ 195	\$ 152	\$ 2,530 *
Michigan State Housing Development Authority (b)	239,631	226,585	104,675	2,030,891
Michigan State Hospital Finance Authority (c)	263,970	121,995	253,608	3,845,458 *
Michigan Higher Education Facilities Authority	68,050	13,885	14,881	334,330
Michigan Higher Education Student Loan Authority	620,425	130,450	29,062	1,419,340
Michigan Municipal Bond Authority	1,751,620	898,489	143,310	2,961,050
Michigan State Building Authority (d)	535,555	112,735	106,775	2,582,134 *
Michigan Underground Storage Tank Financial Assurance Authority	-0-	15,070	8,767	137,450
Michigan Public Education Facilities Authority	-0-	-0-	-0-	-0-
Michigan Broadband Development Authority	33,333	-0-	-0-	33,333
Michigan Family Farm Development Authority	-0-	100	N/A	81
Total Special Authority Revenue Bond Debt	\$3,512,584	\$1,519,504	\$661,230	\$13,346,597

* All or part of the principal amount not presented and not represented in the totals due to the advance refunding of all or part of this obligation.

- (a) Not administered by Department of Treasury. Information in the table is provided by each Authority. Does not include the activity of the Michigan Strategic Fund.
- (b) The new issues include \$46.9 million of new bond issues plus \$0.9 million of capital appreciation for the fiscal year.
- (c) Balance includes \$3,669.3 million in bonds and \$176.2 million in Hospital Equipment Loan Program notes (HELP). Balance does not include MSHFA obligations that have been advance refunded. In FY 2002, net escrow payment activity was \$116.6 million leaving an escrow principal liability as of September 30, 2002 of \$938.6 million.
- (d) Balance includes accreted value at year-end on outstanding Capital Appreciation Bonds. Balance does not include \$1,646.4 million in SBA obligations that have been advance refunded. In FY 2002, \$487.7 million in principal was paid out of escrow, leaving an escrow principal liability as of September 30, 2002 of \$206.4 million. Also, outstanding principal balance does not include commercial paper notes issued by the Authority. As of September 30, 2002, \$255.5 million of commercial paper notes was outstanding.

Table 8



General Obligation Bond Payment Schedule (In Thousands of Dollars)

For Period Ended September 30	Principal	Interest	Total
2003	\$ 25,759	\$ 52,469	\$ 78,228
2004	27,501	55,219	82,720
2005	52,678	53,593	106,271
2006	59,908	49,770	109,678
2007	60,745	49,390	110,135
2008	65,029	45,172	110,201
2009	65,327	44,953	110,280
2010	68,413	42,072	110,485
2011	76,256	34,324	110,580
2012	77,150	33,502	110,652
2013	88,530	22,196	110,726
2014	90,035	17,415	107,450
2015	89,470	12,613	102,083
2016	64,090	8,482	72,572
2017	44,240	5,750	49,990
2018	25,915	4,527	30,442
2019	35,535	3,051	38,586
2020	34,760	1,712	36,472
2021	29,935	524	30,459
Total (a)	\$1,081,276	\$536,734	\$1,618,010

(a) Includes \$159.4 million in State of Michigan Multi-Modal General Obligation School Loan Bonds, Series 2001 A, B, C and 2002 A, assuming a 3.5% interest rate and maturing in years 2005 through 2021.

Table 9



Bonds and Notes Payable by Fiscal Year (In Thousands of Dollars)

Item	Outstanding on September 30				
	1998	1999	2000	2001	2002
GENERAL OBLIGATION DEBT					
School Bond Loan	\$ 328,670	\$ 322,650	\$ 316,370	\$ 386,000	\$ 448,290 *
Water Resources	4,000	-0-	-0-	-0-	-0-
Environmental Protection	450,727	439,851	421,652	480,565	453,816 *
Recreation	90,675	76,876	65,341	39,460	34,750
Clean Michigan Initiative			96,860	92,290	144,420
Total General Obligation Debt	\$ 874,072	\$ 839,377	\$ 900,223	\$ 998,315	\$ 1,081,276
NON-GENERAL OBLIGATION DEBT					
Michigan Department of Transportation Tax Dedicated Bonds	\$ 866,018	\$ 827,870	\$ 801,830	\$ 1,081,119	\$ 1,126,763 *
MDOT Grant Anticipation Notes	-0-	-0-	-0-	400,000	600,000
Michigan Department of Natural Resources					
State Park Revenue Bonds	-0-	-0-	-0-	-0-	15,500
Special Authorities-Revenue Bonds and Notes: (a)					
International Bridge Authority	2,805	1,818	-0-	-0-	-0-
Mackinac Island State Park Commission	2,200	2,980	2,805	2,725	2,530 *
Michigan State Housing Development Authority	2,088,563	2,026,541	2,058,321	2,010,900	2,030,891
Michigan State Hospital Finance Authority	3,586,525	3,569,311	3,735,500	3,751,233	3,845,458 *
Michigan Higher Education Facilities Authority	218,190	220,395	228,845	293,575	334,330 *
Michigan Higher Education Student Loan Authority	817,425	782,360	835,595	929,365	1,419,340
Michigan Municipal Bond Authority	1,685,997	2,243,566	2,555,130	2,883,835	2,961,050
Michigan State Building Authority	1,996,787	1,945,086	1,957,803	2,159,314	2,582,134 *
Michigan Underground Storage Tank Financial Assurance Authority	193,555	180,540	166,870	152,520	137,450
Michigan Public Education Facilities Authority	-0-	-0-	-0-	-0-	-0-
Michigan Broadband Development Authority	-0-	-0-	-0-	-0-	33,333
Michigan Family Farm Development Authority	1,008	505	410	181	81
Total Non-General Obligation Debt	\$11,459,073	\$11,800,972	\$12,343,109	\$13,664,767	\$15,088,860

* All or part of the principal amount not presented and not represented in the totals due to the advance refunding of all or part of this obligation.

(a) Does not include the activity of the Michigan Strategic Fund.

Table 10



Local Government Unit Bonds and Notes (In Thousands of Dollars)

Item (a)	1998		1999		2000		2001		2002	
	No. of Issues	Amount	No. of Issues	Amount	No. of Issues	Amount	No. of Issues	Amount	No. of Issues	Amount
SCHOOLS										
Notes and Lines of Credit	273	\$ 550,839	230	\$ 442,489	242	\$ 609,060	245	\$ 723,039	274	\$ 730,684
Bonds	150	2,763,400	165	2,643,085	87	1,344,041	105	1,929,499	94	1,624,813
Community College Bonds and Notes	9	86,430	5	46,410	6	80,600	3	41,100	7	137,730
Energy Conservation Bonds and Notes	12	15,129	10	34,394	11	12,679	18	24,382	11	12,398
Other	19	-0-	28	-0-	22	-0-	20	-0-	5	-0-
Totals	463	\$3,415,798	438	\$3,166,378	368	\$2,046,380	391	\$2,718,020	391	\$2,505,625
MUNICIPALITIES										
Tax Notes	50	\$ 295,410	50	\$ 281,734	45	\$ 342,370	40	\$ 346,205	9	\$ 34,044
Special Assessment Bonds	58	53,457	67	59,695	64	92,587	49	52,065	37	58,338
General Obligation Bonds	172	1,107,572	175	803,734	130	567,445	149	1,201,305	82	365,638
Revenue Bonds	125	2,582,019	110	806,485	75	1,482,011	87	3,440,194	51	609,520
Drain Bonds (Act 40)	19	27,852	19	40,900	26	95,959	24	226,030	16	54,030
Transportation Fund Bonds (Act 51)	8	130,380	8	45,280	2	13,190	4	5,200	2	102,170
Transportation Fund Notes (Act 143)	3	6,150	6	16,895	6	6,250	10	23,145	8	14,550
Transportation Fund Bonds (Act 175)	19	33,985	17	23,084	18	43,105	15	12,685	9	22,530
Water and Sewer Bonds (Act 185)	35	88,023	40	139,515	17	58,864	23	86,770	15	76,810
Water and Sewer Bonds (Act 342)	-0-	-0-	14	55,765	9	28,610	9	28,625	5	16,555
Authority (Bonds) (b)	25	2,262,500	32	2,769,895	30	1,133,435	21	2,391,105	89	5,641,080
Authority (Notes) (b)	2	1,595,000	1	75,000	4	1,188,000	2	700,000	-0-	-0-
Miscellaneous Bonds and Notes	34	379,680	33	32,737	18	21,622	21	30,787	15	260,305
Other	7	-0-	3	-0-	8	-0-	1	-0-	-0-	-0-
Totals	557	\$ 8,562,028	575	\$ 5,150,719	452	\$ 5,073,447	455	\$ 8,544,116	338	\$ 7,255,570
GRAND TOTAL	1,020	\$ 11,977,826	1,013	\$ 8,317,097	820	\$ 7,119,827	846	\$11,262,137	729	\$ 9,761,195

(a) Historically, the number of issues was equal to the number of approval orders granted; however, an approved issue may or may not have been sold by the local unit of government. For 2002, the number of issues reflect those actually sold and so reported by the unit of local government.

(b) Includes state and local issues.

Table 11



Special Revenue Debt, Bond and Note Payments (In Thousands of Dollars)

Item	Issue Date	Maturity Dates	Amount issued	Principal Payments	Interest Payments	Outstanding Principal as of 9-30-02
Michigan Department of Transportation						
Tax Dedicated Bonds Michigan						
Comprehensive Transportation:						
Series 1985	1985	2011	\$ 57,830	\$ -0-	\$ -0-	\$ -0- *
Series 1992-A	1992	2022	37,655	860	47	-0- *
RF. SR. 1992-B	1992	2011	127,310	103,820	5,998	-0-
RF. SR. 1996-A	1996	2014	22,650	80	1,201	22,280
RF. SR. 1998-A	1998	2010	38,640	-0-	1,901	38,640
RF. SR. 2001-A	2001	2021	27,765	-0-	1,073	27,765
RF. SR. 2002-A	2002	2011	89,620	-0-	-0-	89,620
Series 2002-B	2002	2022	82,310	-0-	-0-	82,310
State Trunkline Fund:						
Series 1989-A	1989	2019	135,780	-0-	-0-	11,195 *
Series 1992-A	1992	2021	253,618	70,555	4,148	37,987 *
RF. SR. 1992-B I & II	1992	2021	99,592	29,575	1,746	7,746 *
Series 1994-A	1994	2024	150,000	10,305	1,148	12,815 *
RF. SR. 1994-B	1994	2002	90,990	5,515	439	5,810
SR. 1996-A	1996	2026	54,500	3,655	576	6,635 *
RF. SR. 1998-A	1998	2026	377,890	-0-	19,455	377,890
Series 2001-A	2001	2030	308,200	-0-	12,160	308,200
RF. SR. 2002	2002	2021	97,870	-0-	-0-	97,870
MDOT Grant Anticipation Notes:						
Series 2001-A,B,C,D	2001	2008	400,000	-0-	6,218	400,000
Series 2002-A,B,C,D	2002	2009	200,000	-0-	58	200,000
Michigan Department of Natural Resources						
State Park Revenue Bonds						
Series 2002	2002	2022	15,500	-0-	-0-	15,500
Total Special Revenue Debt				\$224,365	\$56,168	\$1,742,263

* All or part of the principal amount not presented and not represented in the totals due to the advance refunding of all or part of this obligation. The table below summarizes the advance refunding activity by type of bond.

Series	Advanced Refunded From Series	Amount Refunded	FY 02 Paid From Escrow Principal	FY 02 Escrow Interest	FY 02 Escrow Balance
Special Revenue Debt:					
Comprehensive Transportation	1988-II, 1992B, 1996A, 2001A, 2002A	\$ 153,451	\$ 126,070	\$ 2,257	\$ -0-
Trunkline Transportation	1992B, 1994B, 1998A, 2002	441,875	-0-	19,152	441,875
		\$ 595,326	\$ 126,070	\$ 21,409	\$ 441,875

State Tax Collections

State taxes and fees totaling \$20,617,475 (in thousands) were collected during fiscal year 2002, which is a decrease of 1.6 percent over the previous year.

During fiscal year 2002, a number of changes were enacted to tax rates including reducing individual income tax and single business tax rates.

Major tax collections for fiscal year 2002 and the previous four years are detailed in Table 12, *Taxes and Fees Collected on a Cash Basis*, below.

Table 13, *Michigan State Taxes*, identifies all Michigan taxes and gives administrative information about each.

Table 12



Treasury Administered Taxes and Fees Collected on a Cash Basis (In Thousands of Dollars)

Type of Revenue	10-1-97 to 9-30-98	10-1-98 to 9-30-99	10-1-99 to 9-30-00	10-1-00 to 9-30-01	10-1-01 to 9-30-02
Income Tax:					
Withholding Tax	\$ 6,096,765	\$ 6,480,945	\$ 6,715,569	\$ 6,636,961	\$ 6,438,241
Individual Income Tax	644,122	713,640	778,805	695,484	521,286
Individual Income Tax Estimates	651,597	839,077	866,548	784,278	635,691
Individual Income Tax Penalty and Interest	23,816	22,860	22,489	21,219	22,802
Gross Individual Income Tax Collections	7,416,300	8,056,522	8,383,411	8,137,942	7,618,020
Tax Refunds and Tax Credits (a)	(1,019,217)	(1,117,551)	(1,136,887)	(1,298,637)	(1,357,672)
Net Individual Income Tax	\$ 6,397,083	\$ 6,938,970	\$ 7,246,524	\$ 6,839,304	\$ 6,260,348
Single Business Tax	\$ 2,500,815	\$ 2,605,948	\$ 2,520,405	\$ 2,356,745	\$ 2,280,168
Single Business Tax Penalty and Interest	47,042	47,898	61,126	71,375	68,675
Gross Single Business Tax	2,547,857	2,653,846	2,581,531	2,428,120	2,348,843
Tax Refunds	(174,610)	(232,854)	(217,096)	(263,972)	(296,604)
Net Single Business Tax	\$ 2,373,247	\$ 2,420,992	\$ 2,364,435	\$ 2,164,148	\$ 2,052,239
Motor Fuel Taxes	\$ 1,028,851	\$ 1,066,743	\$ 1,081,026	\$ 1,066,554	\$ 1,098,032
Sales Tax	5,565,908	5,918,067	6,240,769	6,364,641	6,492,547
Use Tax	1,151,208	1,293,931	1,327,630	1,343,760	1,315,629
Sales, Use, Withholding Penalty and Interest	56,980	62,582	57,567	51,001	52,452
Cigarette Tobacco Products Tax	546,718	599,440	592,124	581,957	622,223
Non-Cigarette Tobacco Products Tax	12,631	14,284	15,607	16,552	18,837
Intangibles Tax (b)	44,776	810	1,075	(133)	608
Inheritance Tax (c)	842	(293)	405	488	509
Estate Tax (c)	99,775	175,275	163,245	159,055	141,475
Utility Property Tax	101,847	214,286	156,666	103,223	140,841
Gas and Oil Severance Tax	33,327	23,924	40,804	60,771	34,647
Gas and Oil Privilege Fee	6,159	5,219	6,460	12,533	5,107
Industrial/Commercial Facilities Tax	123,343	136,043	144,878	130,634	149,889
Convention Facility Tax	15,486	16,593	18,239	17,872	15,775
Underground Regulatory Fee	57,259	58,776	59,567	57,912	60,929
Insurance-Retaliatory Tax	138,834	191,702	155,191	194,996	218,651
State Education Tax	1,237,065	1,245,055	1,337,391	1,428,681	1,578,743
Real Estate Transfer Tax	224,405	253,813	250,663	262,682	254,237
Commercial Mobile Radio Service Tax	-0-	-0-	12,303	22,501	24,734
Airport Parking Tax	13,735	14,677	16,804	17,522	14,135
State Housing Development Service Fee	6,054	9,933	5,864	7,578	7,911
Other Taxes and Fees (d)	45,840	64,974	52,858	47,037	56,977
TOTAL	\$ 19,281,373	\$ 20,722,795	\$ 21,348,095	\$ 20,951,268	\$ 20,617,475

(a) Temporary Assistance to Needy Families (TANF) funded by the Federal government reduced income tax refunds by \$56 million in FY 2002.

(b) Public Act 5 of 1995 repealed Public Act 301 of 1939 regarding collection of Intangible Taxes. Refunds paid exceeded revenue collected in FY 2001.

(c) Public Act 54 of 1993 replaced the Inheritance Tax for dates of death after September 30, 1993 with the Estate Tax.

(d) Includes Court Fines, Fees and Assessments, Trailer Coach Parks Specific Tax, Commercial Forest Tax and Low Grade Iron Ore Specific Tax.

Table 13



Michigan State Taxes (In Thousands of Dollars)

Tax Source	Year Adopted	Department Administered by	Payment Deadline	Net Cash Receipts 10-1-01 to 9-30-02	Disposition
Aircraft Registration	1923	Transportation	August 1	285	State Aeronautics Fund
Airport Parking	1987	TREASURY	15th of each month	14,135	Local Units
Aviation Fuel	1929	TREASURY	20th of each month	6,341	State Aeronautics Fund
Beer and Wine Excise	1933	Consumer & Industry Services	Monthly reports and/or stamps	50,079	General Fund
Casino Wagering	1999	Education	Daily	92,302	School Aid Fund
Cigarette Tobacco Products	1947	TREASURY	20th of each month	622,223	Prior to August 1, 2002: 63.4% to School Aid Fund, 25.3% to General Fund, 6% to Healthy Michigan Fund, 5.3% to Local Units. Beginning August 1, 2002: 54.2% to School Aid Fund, 33% to General Fund, 6% to Healthy Michigan Fund, 6.8% to Local Units
Non-Cigarette Tobacco Products	1994	TREASURY	20th of each month	18,837	Prior to August 1, 2002: 94% to School Aid Fund, 6% Healthy Michigan Fund. Beginning August 1, 2002: 75.6% to School Aid Fund, 18.4% to General Fund, 6% to Healthy Michigan Fund
Commercial Mobile Radio Services	1999	TREASURY	Last day of Feb., April, July & Oct.	24,734	Commercial Radio Suppliers and Counties
Convention Facility Development	1985	TREASURY	15th of each month	15,775	Debt Service for Cobo Hall Expansion
Corporate Organization	1891	Consumer & Industry Services	At time of incorporation, admission or increase in stock	11,933	General Fund
Diesel Fuel	1947	TREASURY	20th of each month	86,472	Michigan Transportation Fund
Estate	1994	TREASURY	Within 105 days after death, except contingent transfers-due at vesting	141,475	General Fund
Gas and Oil Privilege Fee	1973	TREASURY	25th of each month	5,107	General Fund
Gas and Oil Severance	1929	TREASURY	25th of each month	34,647	General Fund
Gasoline	1925	TREASURY	20th of each month	947,872	Michigan Transportation Fund
Horse Race Wagering	1933	Agriculture	At end of each day's racing	12,577	Agriculture Equine Industry Development Fund
Individual Income	1967	TREASURY	April 15	6,260,348	General Fund with 24.1% to School Aid Fund prior to January 1, 2002 and 24.7% to School Aid Fund after January 1, 2002
Industrial Facilities	1974	TREASURY	December 1	149,889	Local Units and School Aid Fund
Inheritance	1899	TREASURY	Within 105 days after death, except contingent transfers-due at vesting	509	General Fund
Insurance Company Retaliatory	1987	TREASURY	Last day of April, July, Oct. and Jan.	218,651	General Fund
Intangibles	1939	TREASURY	April 30, or last day of 4th month after end of taxpayer's tax year	608	General Fund
Liquified Petroleum Gas	1953	TREASURY	20th of each month	719	Michigan Transportation Fund
Liquor Excise - 4%	1957	Consumer & Industry Services	At the time of sale to retail licensees	29,141	School Aid Fund
Liquor Specific - 4%	1959	Consumer & Industry Services	At the time of sale to retail licensees	29,964	General Fund
Liquor Specific - 1.85%	1972	Consumer & Industry Services	At the time of sale to retail licensees	10,707	Liquor Purchase Revolving Fund
Liquor - 4% - Tourism and Convention Facilities	1985	Consumer & Industry Services	At the time of sale to retail licensees	29,242	Debt Service for Cobo Hall Expansion and Local Units
Marine Fuel	1947	TREASURY	20th of each month	307	Michigan State Waterways Fund
Motor Carrier Diesel Fuel	1980	TREASURY	Last day of month following close of qtr.	56,247	Michigan Transportation Fund
Motor Carrier's Privilege	1923	Consumer & Industry Services	December 1	5,165	Michigan Transportation Fund
Motor Vehicle Weight or Value	1905	State	Owner's birthday	824,361	Michigan Transportation Fund
Real Estate Transfer	1994	TREASURY	County Treasurer remits to State on the 15th in the month after receipt	254,237	School Aid Fund
Sales	1933	TREASURY	15th and last day of each month	6,492,547	73.3% to School Aid Fund, 1.7% to General Fund, 1.3% to Comprehensive Transportation Fund, 23.7% to Local Units
Single Business	1975	TREASURY	April 30, or last day of 4th month after end of taxpayer's tax year	2,052,239	General Fund
State Education	1994	TREASURY	County Treasurer remits to State the month after receipt from Local Units	1,578,743	School Aid Fund
Snowmobile Registration	1968	State	October 1 (every 3rd year)	1,501	General Fund
Underground Regulatory	1989	TREASURY	10th and 25th of each month	60,929	Michigan Underground Storage Tank Financial Assurance Fund
Utility Property	1905	TREASURY	July 1 or 1/2 on Aug. 1, 1/2 on Dec. 1	140,841	General Fund
Use	1937	TREASURY	15th of each month	1,315,629	66.6% to General Fund, 33.4% to School Aid Fund
Watercraft Registration	1967	State	January 1 (every 3rd year)	10,497	17.5% to Michigan State Waterways Fund, 33.5% to Harbor Development Fund, 49% to Marine Safety Fund

Local Property Taxes

Local property taxes in Michigan are levied by local units of government - school districts, cities, counties, townships and villages. Each of Michigan's 83 counties then "equalizes" the local assessments.

Equalization ensures that similar properties in different areas are assessed equitably. Following county equalization, the State Tax Commission equalizes among counties.

Table 14 shows state, county and local equalized valuations for calendar year 2001 and the prior decade. This table also lists the total Taxable Valuation beginning with the 1994 tax year and lists the average tax rate (millage) for each year. Table 15 shows how property tax dollars are apportioned among the various taxing units.

Michigan taxpayers' local property tax burden is lessened substantially by an income tax credit for property taxes paid.

Table 14



Local Property Tax Valuation, Levies and Average Rates (In Millions of Dollars)

Calendar Year	Local Assessed Valuation	County Equalized Valuation	State Equalized Valuation	Taxable Valuation ^(a)	Total Taxes Levied	Average Rate (Mills) ^(b)	Homestead Average Rate ^(c)	Nonhomestead Average Rate
2001	\$ 312,429	\$ 312,519	\$ 312,896	\$ 257,712	\$ 10,251	39.78	32.12	50.72
2000	284,331	284,427	284,427	240,647	9,462	39.32	31.54	50.10
1999	260,964	261,002	261,002	228,096	8,933	39.16	31.40	49.76
1998	237,401	237,410	237,416	215,179	8,450	39.27	31.43	49.68
1997	216,682	216,745	216,745	202,616	7,952	39.25	31.36	49.63
1996	200,246	200,341	200,341	191,777	7,536	39.32	31.35	49.52
1995	186,262	186,388	186,395	185,530	7,081	38.88	31.00	48.79
1994	175,280	175,550	175,195	175,195 ^(a)	6,704	38.19	30.22	48.17
1993	167,651	167,877	167,731	- - -	9,501	56.64	- - -	- - -
1992	154,266	154,284	153,929	- - -	8,942	58.09	- - -	- - -
1991	150,687	150,858	150,665	- - -	8,639	57.34	- - -	- - -

(a) Beginning in 1994, property taxes have been levied against Taxable Value, not State Equalized Value.

(b) This is the Average Rate based on all classes of property.

(c) Homesteads include those properties which receive the "homestead" exemption, and those which receive the "qualified agricultural property" exemption.

Table 15



Distribution of Local Property Taxes (In Thousands of Dollars)

Taxing Unit	Taxes Levied		Percent of Increase
	2000	2001	
City	\$1,829,966	\$ 1,923,619	5.12%
County	1,509,459	1,612,237	6.81%
Township	526,049	564,489	7.31%
Village	73,970	79,095	6.93%
School	4,078,934	4,525,182	10.94%
State Education Tax	1,443,885	1,546,273	7.09%
Totals	\$9,462,263 ^(a)	\$10,250,893 ^(b)	

(a) \$516.6 million of the total property taxes levied in 2000 was refunded to taxpayers through the "circuit breaker" system of property tax credits against State income tax due or as a reimbursement if they exceed the income tax.

(b) \$607.9 million of the total property taxes levied in 2001 was refunded to taxpayers through the "circuit breaker" system of property tax credits against State income tax due or as a reimbursement if they exceed the income tax.

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